

Message Text

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ACTION EB-12

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REF OTTAWA 3130

FOLLOWING IS TEXT OF ARTICLE ENTITLED "WARDAIR PLANS
TO FILE FOR 9 PERCENT FARES INCREASE" PUBLISHED IN TORONTO
GLOBE AND MAIL FOR OCTOBER 1. ATTENTION IS PARTICULARLY
CALLED TO REMARKS ATTRIBUTED TO CANADIAN TRANSPORT
COMMISSION PRESIDENT EDGAR BENSON.

BEGIN TEXT. MAXWELL WARD, PRESIDENT OF WARDAIR LTD.,
INTENDS TO FILE FOR A 9 PER CENT AIR FARE INCREASE, BUT
SAYS HE MAY HAVE TO BACK OFF BECAUSE OF A MEETING
BETWEEN SCHEDULED AND CHARTER AIRLINES IN SANDIEGO,
CALIF. TODAY ON A COMMON FLOOR PRICE FOR CHARTER AIR
FARES.

MR WARD SAID HE DOES NOT KNOW WHAT ACTION THE
CANADIAN TRANSPORT COMMISSION WILL TAKE AS A RESULT OF
THE AGREEMENT OR NON-AGREEMENT REACHED IN THE SAN

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DIEGO MEETING.

IF THE COMMISSION RETAINS THE PRESENT FLOOR-PRICE FORMULA, HE COULD PROCEED WITH THE 8(SIC ?) PERCENT APPLICATION. IF THE COMMISSION DECIDES TO IMPOSE A NEW FLOOR PRICE ALONG WITH OTHER GOVERNMENTS, THE INCREASE WOULD HAVE TO BE HIGHER.

HOWEVER, EDGAR BENSON, PRESIDENT OF THE CTC, SAID NO PRESSURE WILL BE BROUGHT TO BEAR ON CANADIAN CARRIERS TO RAISE THEIR RATES.

BUT HE NOTED THAT MATTERS ARE STILL IN A STATE OF FLUX AND FUTURE DECISIONS DEPEND ON WHETHER A COMMON AGREEMENT BETWEEN SCHEDULED AND CHARTER CARRIERS CAN BE REACHED.

MR WARD, WHO WILL INTRODUCE A SECOND BOEING 747 JUMBO JET TO HIS CHARTER FLEET IN DECEMBER, SAID THERE IS NO NEED FOR HIM TO SEEK AN INCREASE HIGHER THAN 8 PER CENT.

HE SAID HE IS APPREHENSIVE THAT RATES BEING PROPOSED BY THE IATA SCHEDULED CARRIERS WILL KILL THE MARKET FOR THE CHARTER OPERATORS, AND THAT IATA HAS ALREADY PRICED ITSELF OUT OF SOME MARKETS WITH THE NEW SCHEDULED FARE INCREASES IT HAS PROPOSED TO GO INTO EFFECT NOV.1.

THE CHARTER BUSINESS IS BASED ON VOLUME, HE NOTES. 'WE ARE MORE CONCERNED WITH VOLUME THAN WE ARE WITH FARES' AND HIGHER FARES REDUCE VOLUME. HE OPERATES HIS BOEING 747 AIRCRAFT IN A 452-SEAT CONFIGURATION, COMPARED WITH THE 365 SEATS OFFERED BY THE SCHEDULED CARRIERS. THIS PERMITS HIM TO OFFER A LOWER SEAT PRICE.

THE SCHEDULED CARRIERS HAVE ARGUED THAT CURRENT CHARTER FARES WITH WHICH THEY MUST COMPETE ARE UNECONOMICAL AND, FOR THEM, MONEY LOSING.

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IATA HAS ADOPTED A FORMULA FOR SETTING MINIMUM CHARTER RATES BASED ON FULL OPERATING COSTS, PLUS 17 PER CENT. MR WARD SAID HE IS PREPARED TO ARGUE THAT HIS PROPOSED RATES ARE ECONOMIC AND COMPENSATORY TO THE AIRLINE.
END TEXT.
PORTER

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